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Term insurance combined with an annuity is more suitable for college teachers than the high-priced policies which the Report indicates they have been carrying. But it would have been well to carry the fitting of the policy to the policy-holder somewhat farther. Such a policy as was recently described by the senior ex-president of the Actuarial Society of America¹ would appear to be more suitable for college teachers than the one proposed in this Report. The central idea of this proposal is to provide a type of term insurance that varies in amount as the risk in the different periods of the policy-holder's life would demand. Thus during the period when the family responsibilities were heaviest the policy would call for the maximum amount, but as the policy-holder approached age sixty-five and his family would be less dependent upon him the amount of the policy would automatically decline. From the standpoint of protection and the limited amount which teachers can afford to pay for insurance, such a plan would appear preferable to the type of term insurance emphasized by President Pritchett.

At the regular meeting of the trustees of the Foundation in November, 1916, this Report was referred to a committee composed of "six trustees and five representatives of the Association of American University Professors, Association of American Universities, National Association of State Universities, and Association of American Colleges."

It is to be hoped that the reference of this Report to the educators represented in these various committees will result in a thorough discussion of the plan from the standpoint of the advancement of teaching. Furthermore, there should be a much more comprehensive presentation of the insurance plan than is included in the Report, and expert consideration should be given to it before any action is taken.

C. O. RUGGLES

OHIO STATE UNIVERSITY

WASHINGTON NOTES

END OF THE "SHIPPING POOL" CASES

In handing down a decision in the case of the *United States v. The American-Asiatic Steamship Company* and others (Nos. 138 and 169, October term, 1916), the Supreme Court of the United States has practically closed the so-called steamship conference cases. The essential

¹ *Proceedings of Life Insurance Presidents*, 1912. See also a pamphlet by Professor C. E. Brooks, *Life Insurance for Professors*, published by the University of California, 1916.

question in the conference agreements affecting the shipping trade when the suits against these conferences were originally begun was whether the United States had the power under the Anti-trust law to attack combinations which had been effected between foreign corporations with regard to trade carried on outside of the United States, and merely involving the use of United States ports as terminals. While the suits against the steamship conferences were in their early stages, the so-called "Alexander Committee" of the House of Representatives undertook and carried through an investigation into the general steamship situation; and the outcome was to recommend a much more moderate policy than had previously been thought of. Apparently the "Alexander Committee" recognized that benefits might be obtained from the steamship pools, provided that they were satisfactorily regulated. Nevertheless the suits were continued with a view to restraining the carrying out of agreements between British, German, and American steamship companies who were defendants. Overruling the contention that that act did not relate to contracts concerning ocean carriage, the federal court in New York entered decrees against the United States in both cases, dismissing the bills for want of equity on the ground that the assailed agreements were not in conflict with the Anti-trust act except as to a particular discrimination found to have been practiced in one of the cases which was provided against. At the time this action was taken by the court below, as the result of the European war the assailed agreements had been dissolved and the questions raised by the bills were therefore purely moot, as directly decided to be the case as to a similar situation in the *United States v. Hamburg-American Line*. Under these circumstances the request now made by the United States that the doctrine announced in the Hamburg-American case be applied to both of these cases and the relief afforded in that case be awarded, is held to be well founded and as such to be granted. The decrees below are now, therefore, reversed, and the cases remanded to the court below with directions to dismiss the bills without prejudice to the right of the United States in the future to assail any actual contract or combination deemed to offend against the Anti-trust act.

The position thus assumed is of very substantial importance as a step in the development of federal anti-trust policy, inasmuch as it reserves the power of the United States in the future to assail any steamship contract of the kind referred to as being obnoxious to the anti-trust laws. This phase of the matter becomes of special importance in connection with the working of the new shipping act. Under this law it is likely that

a direct effort will be made to regulate and control combinations and pools in steamship trade after the war is over, when the so-called steamship conferences have been restored to operation, as it is reasonably to be expected that they will be. No one can now predict the exact form that these conferences will take in view of the new economic relationships which will be established between European powers, but few persons doubt that when commerce resumes its normal course there will be the same occasion for joint agreements governing ocean traffic that there was before the war opened.

REPORT OF THE FEDERAL RESERVE BOARD

The Federal Reserve Board on February 3 sent to the Speaker of the House of Representatives its third annual report, covering the operations of the system for the year 1916. (H.R. Doc. No. 1888, 64th Congress, 2d session.) The outstanding feature of the document is its discussion of the existing banking position as affected by possible conditions growing out of the present abnormal state of foreign trade, and the situation that may exist after the war is over.

To make the system an effective means of financial preparedness, able to guard against all contingencies reasonably to be expected, the Board proposes the reserve percentage amendments to the Federal Reserve act already made known some time ago, which it estimates would result in massing in the federal reserve banks a total sum of \$800,000,000 to \$900,000,000.

This plan for a powerful massed reserve is further amplified and worked out in its foreign aspects as shown by the statement that the establishment of connections with the great governmental banks abroad is under consideration, and that relationships, not only with the Bank of England, as announced some time ago, but with other institutions, will be authorized from time to time, such relationships to be employed as a means of regulating gold export movements. The central feature of the report is thus a highly developed and thoroughgoing plan for uniting and organizing the gold resources of the banks of the country under joint management, designed to render their use as effective and economical as possible, both at home and in international trade.

The report shows that the banking situation of the country taken as a whole is in some respects one of remarkable strength, because of the notable additions to the gold holdings of the banks and of the people at large, but a note of caution is sounded in the statement that there has been an even greater proportionate expansion of deposits and loans.

The investment of the funds of the banks in long-term securities has been very large. Purchases of obligations other than those of the United States government are now more than six billion dollars, an increase, as compared with the situation in June, 1914, of about \$1,300,000,000, or 27.2 per cent of the sum then invested. According to the Board, the purchase of desirable foreign loans by American investors has been a healthy and normal operation, and the recent statement containing a warning against undue extension of bank investments in foreign securities was intended simply as a caution to the banks that eventually the amount of securities to be taken over must depend upon the absorbing power of the investor himself.

The banking and currency situation has developed very satisfactorily during the year in a number of ways, which are fully described in the report. Interest rates have been low throughout the year, but the Board has found it unnecessary to establish any special low rates of discount as was done during 1915, and those that were already in effect have been but little availed of, owing to the satisfactory financial position of local farmers and traders. There has been a most encouraging improvement in the character of the paper circulation of the country. Federal reserve notes, practically equivalent to gold certificates and protected by 100 per cent of gold, have been issued to the extent of about \$283,000,000. At the same time the old national bank notes have fallen off to the extent of \$44,500,000, their place being taken primarily by the new gold-secured notes. Co-ordinated with this process of strengthening and improving the circulation of the country has been that of rendering more effective the use and availability of checks. The Board shows that there are now about 15,000 banks in and out of the federal reserve system on which checks may be collected at par, and it predicts that further experience under the present plan of clearings and collection will at no distant date practically place the whole country on a par collection basis, inasmuch as banks will be likely to lose desirable business if checks drawn upon them are at a discount while checks drawn upon a near-by competitor circulate at par. While the clearing system is thus moving forward toward complete success, the Board recommends amendments to the Federal Reserve act designed to further improve and confirm it by facilitating the use of the system by state banks and trust companies. That the growing strength and efficiency of the federal reserve system is fully appreciated by the banks of the country is strongly set forth, the Board stating that the reserve banks have won the confidence of the public, that the system is established upon a firm and enduring founda-

tion, and that information available shows that an increasingly favorable attitude is being adopted toward it by strong state institutions. The new members gained by the system during the year 1916 numbered 130.

In dealing with the earning capacity of the system, the outstanding fact noted by the report is that net profits for the past year amounted to 5 per cent on the average for the whole system, as against an average net earning since organization of 3 per cent of paid-up capital. The gross expenses for the year are shown to have been about \$2,200,000, while the net earnings were about \$2,750,000. A table of dividends shows that all the banks are now on a dividend basis, although none of them have provided for their fully authorized percentage up to date. This is in spite of the fact that the past year has been an unusually unfavorable period for the business of rediscounting, owing to the great plethora of funds in the vaults of banks generally and the prevailing low rates of interest.

OUR STOCK OF GOLD

Very strong interest has been felt by economists and by the commercial public in the question: What has been the actual gain of gold by the United States since the beginning of the European war, and how has the gold thus gained been distributed? In the accompanying table, compiled from official sources, are presented figures (necessarily estimates in part) showing the amounts of gold, including gold certificates, held by the Treasury, the banks and the public on specified dates.

For January 1, 1917, the amount of gold-covered federal reserve notes was combined with the total gold stock of the country, and the amounts of gold (less the amounts in the Gold Settlement Fund) held by the agents were combined with the amounts of gold held by the Treasury and the banks.

The total stock of gold, according to Treasury estimates, shows an increase during the period of nearly one billion dollars. National banks increased their gold holdings (including amounts held with federal reserve banks) during the period by 397.2 millions, and other banks, by an estimated 63 millions. The amount of gold (coin and certificates) outside the treasury and the banks, i.e., in the hands of the public, shows an estimated increase of 163.6 millions.

Between November 16, 1914, and January 1, 1917, there were also issued over 282 millions (net) of gold-covered federal reserve notes, of which over 25 millions are held by the federal reserve banks themselves; over 2 millions by the Treasury; 12.5 millions by national banks; and

TOTAL GOLD (COIN, BULLION, AND CERTIFICATES) ALSO FEDERAL RESERVE NOTES HELD BY THE TREASURY,
THE BANKS, AND THE PUBLIC ON JULY 1, 1914, AND JANUARY 1, 1917

(In thousands of dollars)

	July 1, 1914		January 1, 1917	
	a) 1,887,271		e) 2,864,842	
Stock of gold in country.....				
Held in Treasury:				
Gold coin and bullion among general assets.....			e) 252,526	
Held by federal reserve banks.....	b) 240,902		453,562	
Held by federal reserve agents.....		267,147	
Held by national banks:			720,709	
Gold coin.....	149,295		127,599	
Gold treasury certificates.....	321,729		320,574	
Gold order certificates.....	54,875		41,738	
Clearing House certificates.....	59,978		39,670	
Total.....	c) 585,877		g) 529,581	
Held by other banks:			359,000	
Gold coin.....	89,082			
Gold certificates.....	198,042			
Estimated amount of "earmarked" gold held in trust.....	d) 287,124		75,000	
Total held in Treasury and in banks, including amounts earmarked.....	1,113,903		1,927,816	
In hands of the public.....	773,368		937,026	
Increase in gold and gold certificates in hands of public.....			163,658	
Federal reserve notes covered by gold.....			282,522	
Less amounts held by				
Federal reserve banks.....			25,315	
United States Treasurer.....			e) 2,093	
National banks.....			12,549	
Other banks (estimated).....			10,000	
Increase in gold and federal reserve notes covered by gold in hands of public from July, 1914, to January, 1917.....			49,957	
			232,565	
			396,223	

a) From United States Treasurer's 1915 *Report*, p. 52.

b) From August 1, 1914, Circulation Statement.

c) From Comptroller's *Abstract No. 80* for June 30, 1914.

d) From Comptroller's 1914 *Report*, I, 77; exclusive of any portion of cash not classified.

e) From Circulation Statement, January 1, 1917.

f) Less gold redemption funds of \$1,793,000 for federal reserve banks and \$15,376,000 for federal reserve agents included with gold held in Treasury.

g) From Comptroller's *Abstract No. 103*, dated November 17, 1916.

an estimated 10 millions by other banks. At the beginning of the present year there were, therefore, in the hands of the public, 232.5 millions of these notes, the gold equivalent of which was held by the federal reserve agents and the United States Treasury.

The estimated amount of 350 millions for the total gold held on January 1, 1917, by banks other than national, and the resulting increase for the period since July 1, 1914, are probably too low. Gold reserves of state banks and trust companies in Greater New York alone show an increase of \$41,053,600, or about 28 per cent, between the end of June, 1914, and the end of December, 1916, while the combined gold reserves of the national and federal reserve banks, according to the attached statement, increased during the same period by over 397 millions, or 68 per cent, as against an estimated increase of less than 22 per cent for the other banks.

The ten-million estimate for federal reserve notes held by other than national banks is arrived at by applying the ratio of federal reserve notes held by these banks to total federal reserve notes in circulation obtaining on June 23, 1915, to federal reserve notes in circulation on December 30, 1916.

To recapitulate: Of the total increase since July 1, 1914, of about 396 millions of gold and gold-covered federal reserve notes in the hands of the public, about 164 millions represent the calculated increase of gold and gold certificates, and 232 millions the addition to the national circulation of federal reserve notes.

Care has been taken to exclude from the statement duplications of either gold and gold certificates, federal reserve notes and gold coin, or federal reserve notes and gold certificates. The increase of 164 millions for gold and gold certificates in the hands of the public, for reasons stated above, is probably too large.